DOCUMENT RESUME

ED 067 977 HE 003 388

TITLE	Need for Improved Coordination of Federally Assisted Student Aid Programs in Institutions of Higher Education.
INSTITUTION	Comptroller General of the U.S., Washington, D.C.
REPORT NO	GAO-B-164031-1
PUB DATE	2 Aug 72
NOTE	33p.
AVAILABLE FROM	U.S. General Accounting Office, Room 6417, 441 G Street, N.W., Washington, D.C. 20548 ($1.00)
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	*Educational Finance; *Federal Aid; Federal Programs; *Financial Support; *Higher Education; Incentive Grants; Reports; *Student Loan Programs

ABSTRACT

The General Accounting Office examined coordination among federally assisted student financial aid programs including the National Defense Student Loan, the College Work-Study, Educational Opportunity Grant, and Guaranteed Student Loan programs. Eight institutions were visited. The report recommends that the Secretary of Health, Education and Welfare require institutions of higher education to establish procedures for coordinating assistance provided under Federal student aid programs which require a showing of financial need with any assistance provided under the Guaranteed Student Loan program and other school-administered aid programs. The Secretary should also monitor implementation of the procedures to preclude awarding assistance in excess of students' financial needs. (Author/CS)

ED 067977

REPORT TO THE CONGRESS

Need For Improved Coordination Of Federally Assisted Student Aid Programs In Institutions Of Higher Education

B-164031(1)

Office of Education

Department of Health, Education, and Welfare

U.S. DEPARTMENT OF HEALTH EDUCATION & WELFARE
OFFICE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

FILMED FROM BEST AVAILABLE COPY

HE 00 3 Rpt

1

AUG. 2,1972

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164031(1)

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the need for improved coordination of federally assisted student aid programs in institutions of higher education. The Office of Education, Department of Health, Education, and Welfare, administers four major student financial aid programs--the National Defense Student Loan program, authorized by title II of the National Defense Education Act of 1958, and the College Work-Study, Educational Opportunity Grant, and Guaranteed Student Loan programs, authorized by title IV of the Higher Education Act of 1965.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Health, Education, and Welfare; and the Commissioner of Education.

Elmer B. Staats

Comptroller General
of the United States

Contents

		Page
DIGEST		1
CHAPTER		
1	INTRODUCTION	5
	Responsibility for program administration	6
	Eligibility requirements for participation in Federal financial aid programs	10
	Funding	10
2	INADEQUATE COORDINATION OF STUDENT ASSISTANCE PROGRAMS	12
	Determination of financial need	13
	Loans under Guaranteed Student Loan program not coordinated	15
	Other sources of financial aid not coordinated	18
	Improved coordination would help alleviate shortage of Federal aid funds	19
	Students may borrow more than they can repay	21
	Conclusions	22
	Recommendations to the Secretary of Health, Education, and Welfare	23
	Agency comments	23
	Matter for consideration by the Congress	24
3	SCOPE OF REVIEW	25
APPENDIX		
I	Letter dated April 24, 1972, from the Assistant Secretary, Comptroller, Department of Health, Education, and Welfare, to the General Accounting Office	27

APPENDIX		Page
II	Principal officials of the Department of Health, Education, and Welfare responsible for administration of activities discussed in this report	29

ABBREVIATIONS

GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
OE	Office of Education

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

NEED FOR IMPROVED COORDINATION OF FEDERALLY ASSISTED STUDENT AID PROGRAMS IN INSTITUTIONS OF HIGHER EDUCATION
Office of Education
Department of Health, Education, and Welfare B-164031(1)

D I G E S T

WHY THE REVIEW WAS MADE

The Office of Education (OE), Department of Health, Education, and Welfare (HEW), administers four major programs providing financial aid to students attending colleges, universities, and vocational schools. These include the Guaranteed Student Loan program, National Defense Student Loan program, College Work-Study program, and Educational Opportunity Grant program. The four programs provided assistance of about $1.7 billion to approximately 2.3 million students in fiscal year 1971.

The General Accounting Office (GAO) examined the coordination of these programs because student enrollment and tuition costs have increased significantly in recent years and have added to the demand for financial assistance and to the Government's potential liability in the case of defaulted loans.

Public Law 92-318, Education Amendments of 1972, was signed by the President on June 23, 1972, subsequent to the completion of GAO's fieldwork and while this report was being processed. This legislation extended and made certain changes to the operation of the programs discussed in this report but does not, in GAO's view, affect the need for the type of corrective action recommended.

Background

Under the Guaranteed Student Loan program, students obtain long-term loans from a bank, credit union, or savings and loan association. The Government usually pays the interest charged on these loans while the students are in school and during a grace period afterward.

The loans are insured by either a State or private nonprofit agency or the Government. The Government bears all the losses for defaulted federally insured loans and a large portion of the losses for defaulted State or privately insured loans.

The other three programs are based on financial need. OE provides institutions of higher education with funds for assisting students who can show such need to meet their educational expenses. These expenses include charges for tuition and related fees; room and board; books and supplies; and such personal expenses as transportation, clothing, and laundry.

The institutions determine which students should receive assistance and the amounts. They also collect payments on loans made under the National Defense Student Loan program.

GAO's review included eight colleges and universities--four in California and four in Louisiana. During fiscal year 1971 these institutions provided $16.1 million to about 25,000 students under the three Federal programs which require a showing of financial need. (See p. 11.)

About 14,500 of the students who were enrolled at these institutions at the close of the 1970-71 academic year also obtained about 24,400 loans, totaling about $21.4 million, under the Guaranteed Student Loan program during their college careers. (See p. 11.)

FINDINGS AND CONCLUSIONS

Of the eight institutions visited by GAO, seven generally awarded aid to students under OE programs which require a showing of need without considering whether the students also had obtained or requested loans from lending institutions under the Guaranteed Student Loan program. As a result, some students

--were provided with aid excess to their indicated financial needs and

--borrowed under both loan programs and incurred large debts that could be difficult to repay.

GAO reviewed 400 student aid cases selected at random from a list of approximately 6,500 students who had been enrolled at the institutions for periods ranging from 1 to 4 years and who had obtained loans under the Guaranteed Student Loan program. Of the 400 students, 57 (14 percent) were awarded aid totaling about $51,800 in excess of their indicated financial needs because their guaranteed loans were not considered as resources.

On the basis of the sample, GAO estimated that 900, or 14 percent of the 6,500 students, had been provided with aid under the federally assisted programs totaling at least $761,000 in excess of their indicated needs. (See p. 15.)

Many students in GAO's sample were expected to use their own savings and/or contributions from their parents to help meet part of their educational expenses. However, the students' records did not indicate whether savings and parental contributions had actually been provided. If GAO had assumed that none of the expected resources had been used to pay educational costs, the estimate of the total excess aid provided to the 900 students would have been reduced to about $219,000. (See p. 16.)

The institutions did not always consider financial aid provided to students under other Federal, State, and private programs in evaluating students' needs for Federal aid under OE programs. As a result some students received more Federal aid than they needed. (See p. 18.)

Because some students received excess Federal aid, such aid was not available to others who qualified. Some institutions have not had sufficient Federal aid funds to meet the financial needs of their students. (See p. 19.)

The problem of providing sufficient aid to students is expected to grow as enrollments and tuition costs continue to increase. GAO believes that OE should satisfy itself that the limited amount of Federal aid available for educating students attending institutions of higher education is used to assist the maximum number of needy students. (See p. 20.)

OE statistics for the Guaranteed Student Loan program showed that, as of June 30, 1971, the Government had paid claims totaling $17.6 million for loans on which students had defaulted. Statistics for the National Defense Student Loan program showed that outstanding loans totaling $22.2 million were delinquent from 4 months to more than 5 years. (See p. 21.)

GAO believes that students who borrow under both loan programs for the same academic period are more likely to become overindebted and to add to the problem of collecting defaulted student loans. Statutory limitations currently exist for loan amounts under each program, but no overall limitation exists on the amount that a student may borrow from both programs. (See p. 22.)

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of HEW should direct OE to:

--Require institutions of higher education to establish procedures for coordinating assistance provided under Federal student aid programs which require a showing of financial need with any assistance provided under the Guaranteed Student Loan program and other school-administered aid programs.

--Monitor implementation of the procedures to preclude awarding assistance in excess of students' financial needs. (See p. 23.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

HEW concurred in the intent of GAO's recommendations. However, before deciding on whether to implement the recommendations, HEW plans to determine the magnitude of the coordination problem nationwide, by requiring institutions of higher education to provide data on total student aid awards.

GAO believes that the data that HEW plans to obtain may not be adequate for determining the extent of the coordination problem. To provide an adequate basis for determining whether students are obtaining excess aid, the data must show students' total resources (aid, parental contributions, and student incomes or savings) that are to be applied toward the costs of their education. (See pp. 23 and 24.)

GAO intends to stay abreast of the progress of HEW's study and to determine, on the basis of the study results, whether appropriate action was taken.

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress should consider establishing an overall limitation on the amount that a student may borrow when participating in more than one loan program. (See p. 24.)

CHAPTER I

INTRODUCTION

The Office of Education (OE), Department of Health, Education, and Welfare (HEW), administers four major programs that provide financial aid to students in institutions of higher education--colleges, universities, and vocational schools.

1. The National Defense Student Loan program, authorized by title II of the National Defense Education Act of 1958, as amended (20 U.S.C. 421).

2. The College Work-Study program, authorized by section 441 of the Higher Education Act of 1965, as amended (42 U.S.C. 2751).

3. The Educational Opportunity Grant program, authorized by section 401 of the Higher Education Act of 1965, as amended (20 U.S.C. 1061).

4. The Guaranteed Student Loan program, authorized by section 421 of the Higher Education Act of 1965, as amended (20 U.S.C. 1071).

We examined the manner in which these programs were coordinated with each other and with certain other Federal, State, and private assistance programs in providing needed aid to students to meet their educational expenses. Our review included eight colleges and universities--four in California and four in Louisiana.

Public Law 92-318, Education Amendments of 1972, was signed by the President on June 23, 1972, subsequent to the completion of our fieldwork and while this report was being processed. This legislation extended and made certain changes to the operation of the programs discussed in this report but does not, in our view, affect the need for the type of corrective action recommended.

RESPONSIBILITY FOR PROGRAM ADMINISTRATION

OE administers the four student aid programs at the national level.

Under the National Defense Student Loan, College Work-Study, and Educational Opportunity Grant programs, institutions of higher education, operating under OE regulations and program guidelines, have the responsibility for selecting the students who shall receive financial assistance, assessing their financial needs, determining the amounts and kinds of assistance they shall receive, and disbursing the funds to the students during the school year. Under the National Defense Student Loan program, the institutions are also responsible for collecting payments on loans after the student borrowers leave school and begin repayment. The institutions generally have assigned these responsibilities to a financial aid office staffed with a financial aid officer who is familiar with the Federal programs.

The institutions have a more limited role in administering the Guaranteed Student Loan program. Under this program, a student attending an institution of higher education borrows money directly from a bank, credit union, savings and loan association, or any other participating lender and the loan is insured by either OE or a State or private nonprofit guaranty agency. Generally, the financial aid office of the institution certifies the student's loan application to show that he is eligible for assistance under the program.

National Defense Student Loan program

Under this program OE provides institutions of higher education with funds for making loans at 3-percent interest to students who have shown a need for such aid to pursue their education. The Government provides 90 percent of the loan funds, and the institutions provide the remaining 10 percent.

The total of the loans made to an undergraduate student for any academic year, or its equivalent, may not exceed $1,000, and the total of the loans made to a student for all years of undergraduate study may not exceed $5,000. The total of the loans made to a graduate student for any academic

year, or its equivalent, may not exceed $2,500, and the total of the loans made to a student for all years of undergraduate and graduate study may not exceed $10,000. The borrower must repay his loan with interest over a maximum period of 10 years beginning 9 months after he leaves school or ceases to carry the prescribed academic workload. Repayment may be deferred up to 3 years for students serving in the Armed Forces, Peace Corps, or Volunteers in Service to America. Interest does not accrue on a loan until the beginning of the repayment period.

A borrower who subsequently becomes a full-time teacher may have up to 50 percent of his loan plus interest canceled at the rate of 10 percent for each year of teaching. If he teaches handicapped children or teaches in schools having high concentrations of children from low-income families, the borrower may have his entire loan plus interest canceled at the rate of 15 percent for each year of teaching. A borrower who served in the Armed Forces after June 1970 may have up to 50 percent of his loan plus interest canceled at the rate of 12-1/2 percent for each year of consecutive service.

College Work-Study program

This program was authorized to stimulate and promote the part-time employment of students attending institutions of higher education, particularly those from low-income families, who are in need of earnings to pursue their education. Federal grants are provided to the institutions to pay part of the wages of students working on jobs under the program. Prior to August 20, 1967, Federal funds covered up to 90 percent of a student's wages; from August 20, 1967, through August 19, 1968, Federal funds covered up to 85 percent; and since August 20, 1968, Federal funds have covered up to 80 percent. The balance of a student's wages is paid by the student's employer. Under OE criteria institutions participating in the program select students to be employed, define the jobs to be performed, and disburse the wages to the students as they are earned.

Educational Opportunity Grant program

Under this program OE provides institutions of higher education with funds for grants to undergraduate students

of exceptional financial need to enable them to attend college. The maximum grant that a student may receive for an academic year, or its equivalent, is $1,000. The institution must match the amount of the grant by providing the student with aid from other Federal sources, such as the National Defense Student Loan and College Work-Study programs, and/or non-Federal sources, such as a school scholarship.

Guaranteed Student Loan program

This program enables students to borrow money from participating lending institutions to help pay their educational expenses while attending institutions of higher education. Loans are insured by either OE or a State or private nonprofit guaranty agency.

Students may obtain a loan application from a participating lender, a school, a State or private guaranty agency, or an HEW regional office. The student lists his educational expense and financial resources and forwards the application to the educational institution that he will be attending during the period to be covered by the requested loan. Generally the financial aid office of the institution certifies the loan application to show that the student is eligible for the program and submits the application to the appropriate lending institution. If the lender agrees to make a loan, it determines the amount and submits the application to the appropriate HEW regional office or State or private guaranty agency so that the loan can be insured.

The total of the loans made to a student for any single academic year, or its equivalent, may not exceed $1,500. The aggregate unpaid principal of all such insured loans made to any student may not at any time exceed $7,500.

Public Law 90-460, approved August 3, 1968, authorizes OE to enter into agreements with State and private guaranty agencies providing for these agencies to be reimbursed for 80 percent of their losses resulting from a student's default of a loan or from the nonpayment of a loan due to the death or disability of a student borrower. Public Law 90-575, approved October 16, 1968, increased the reimbursement for losses attributable to the death or disability of a student borrower to 100 percent.

The maximum interest rate that can be charged by lenders on student loans is 7 percent a year on the unpaid principal. A student is eligible to have the Government pay part of the interest on his loan if the combined adjusted gross income of the student (and his parents and spouse, if applicable), as reported for Federal tax purposes for the preceding year, less 10 percent and amounts allowable for personal exemptions, was less than $15,000.

The Government pays all the interest on eligible student loans during the period the students are in school; during the grace period (about 9 to 12 months after they leave school); and during periods when repayment is deferred for students serving in the Armed Forces, Peace Corps, or Volunteers in Service to America. After the grace period a student is required to repay the loan plus interest over a maximum period of 10 years, exclusive of any deferment period. On loans made prior to December 15, 1968, the Government also pays 3-percent interest during the repayment period and the student pays the balance.

Public Law 91-95, approved October 22, 1969, authorizes the Government to pay a special allowance to lenders participating in the program whenever existing economic or money market conditions are impeding, or threatening to impede, the carrying out of program purposes and are causing the return to lenders to be less than equitable. The authorized allowance cannot exceed 3 percent a year of the average quarterly unpaid principal of loans made under the program on or after August 1, 1969.

ELIGIBILITY REQUIREMENTS FOR PARTICIPATION IN FEDERAL FINANCIAL AID PROGRAMS

Each of the four major federally assisted student financial aid programs has certain eligibility requirements established by law, as shown below.

Legal requirement	National Defense Student Loan program	College Work-Study program	Educational Opportunity Grant program	Guaranteed Student Loan program
Must show evidence of academic or creative promise			X	
Must be in, or capable of maintaining, good standing	X	X	X	X
Must be enrolled full time		X	X	
Can be enrolled less than full time but must be enrolled at least half time	X			X
Must need aid	X	X	X	

FUNDING

OE estimated that the National Defense Student Loan, College Work-Study, and Educational Opportunity Grant programs provided about $690 million of Federal aid to approximately 1.3 million college students in fiscal year 1971, as shown below.

	Number of students assisted	Federal aid provided
National Defense Student Loan program	560,400	$364,200,000
College Work-Study program	430,000	158,000,000
Educational Opportunity Grant program	297,100	167,700,000
Total	1,287,500	$689,900,000

OE also estimated that about 1 million college students obtained loans totaling about $1 billion under the Guaranteed Student Loan program in fiscal year 1971.

During fiscal year 1971 the National Defense Student Loan, College Work-Study, and Educational Opportunity Grant programs provided $16.1 million of Federal aid to about 25,000 students who attended the eight institutions of higher education included in our review, as shown below.

	Number of students assisted	Federal aid provided
National Defense Student Loan program	10,661	$ 8,556,512
College Work-Study program	8,225	4,119,230
Educational Opportunity Grant program	5,716	3,425,700
Total	24,602	$16,101,442

According to OE data, about 14,500 of the students enrolled at the eight institutions at the close of the 1970-71 academic year obtained about 24,400 guaranteed loans, totaling about $21.4 million, sometime during their college careers. Because OE had collected this data on a cumulative basis, it did not have information for each institution showing how many of these loans were made in fiscal year 1971.

CHAPTER 2

INADEQUATE COORDINATION OF STUDENT ASSISTANCE PROGRAMS

Students at seven of the eight institutions we visited were provided with aid in excess of their indicated financial needs. This occurred because the institutions awarded the students aid under OE programs which require a showing of financial need without coordinating this aid with loans that the students had applied for or received under the Guaranteed Student Loan program. The eighth institution had established a procedure for coordinating Federal aid with guaranteed loans but had subsequently discontinued the practice because of staffing problems.

On the basis of a statistical sample of students who had been enrolled at the eight institutions for periods ranging from 1 to 4 years, we estimated that the excess aid provided under the programs totaled at least $761,000.

The institutions also did not always coordinate aid awarded under OE programs which require a showing of need with aid awarded under other programs they administered. As a result, some students were provided with more Federal aid than they needed for educational expenses.

During the past several years, the institutions have not been given the full amount of Federal aid that they requested to meet the financial needs of their students. The problem of providing sufficient aid to students may be expected to grow as school enrollment and tuition costs continue to rise. By providing some students with more aid than they need to meet their educational expenses, the institutions are tying up Federal funds that could be used to help other students who qualify.

Some students obtained loans under the Guaranteed Student Loan and National Defense Student Loan programs for the same academic periods. This practice may cause students to become overindebted by the time they complete their college education and may add to the nationwide problem that lending

institutions and the Government are having with collecting defaulted student loans.

DETERMINATION OF FINANCIAL NEED

OE regulations require a student seeking aid under the National Defense Student Loan, College Work-Study, or Educational Opportunity Grant programs to provide complete financial data relating to the total resources available to finance the cost of his education. This cost generally consists of charges for tuition and related fees; room and board; books and supplies; and such personal expenses as transportation, clothing, and laundry. The regulations provide that a student not receive more aid under these programs than is needed to pursue his course of study. However, they do not require institutions of higher education to establish procedures for insuring that loans made to a student under the Guaranteed Student Loan program are considered in determining how much total Federal aid to provide to the student.

The student and his family have the primary obligation to pay for his education. The student is expected to use such resources as savings and earnings from employment. OE has defined a student's financial need as the difference between the amount of money the student and his family can provide for an education and the cost of that education.

According to OE regulations, under certain circumstances, an institution's financial aid officer may classify an applicant as an independent student and may disregard parental income and assets as a source of support in determining his financial need. An applicant is generally classified as an independent student if for the previous year his parents provided no financial support to cover his cost of education and did not claim him as a dependent for Federal income tax purposes.

In 1954 the College Entrance Examination Board[1] organized a special service--the College Scholarship Service--to

---

[1]The College Entrance Examination Board is a nonprofit association of colleges and universities, secondary schools, and educational associations that provides tests and other services for schools and colleges.

provide a standardized method of determining financial needs. Many institutions of higher education use this service, including six of the eight institutions covered in our review.

The College Scholarship Service furnishes educational institutions with forms on which students and their parents are required to provide data relating to their financial resources and their expenses. The completed forms are sent to the College Scholarship Service, which prepares a financial-need analysis report containing estimates of (1) the amount which the parents can be expected to provide from their income and assets, (2) the amount that the student can be expected to provide from his assets and savings from summer employment, and (3) the amount of the student's estimated financial need at the educational institution where he is applying for aid. This report is forwarded to the institution for the financial aid officer's use as a guide in making the final decision on the amount of Federal or other financial assistance needed by the student.

Financial aid package

Financial aid officers generally use a combination of two or more types of aid to meet a student's total need. This combination of assistance is generally referred to as a financial aid package and may consist of aid from various Federal and State programs or private and institutional scholarships, loans, and grants.

Institutions of higher education generally request that students seeking aid under the National Defense Student Loan, College Work-Study, and Educational Opportunity Grant programs file their applications by May for aid needed during the academic school year beginning in the fall. Prior to the beginning of the school year, the students are usually advised as to the amount of aid that they have been awarded for the year. Aid under the National Defense Student Loan and Educational Opportunity Grant programs is usually disbursed in installments at the start of each semester or quarter, and aid under the College Work-Study program is paid at least monthly as the student earns it on the job.

LOANS UNDER GUARANTEED STUDENT LOAN PROGRAM NOT COORDINATED

To determine if the educational institutions covered in our review considered guaranteed loans obtained or sought by students in awarding them financial aid packages to meet their financial needs, we (1) obtained an OE list of approximately 6,500[1] students who had obtained guaranteed loans while attending the institutions and (2) selected at random a sample of 400 cases for analysis. We reviewed school records to identify all financial aid that had been awarded to the 400 students. At the time of our review, these students had received aid over periods ranging from 1 to 4 years.

The records showed that (1) 95 of the 400 students had received aid under the National Defense Student Loan, College Work-Study, or Educational Opportunity Grant programs in the same academic periods for which they had received loans under the Guaranteed Student Loan program and (2) in 18 of the 95 cases financial aid officers had considered the amounts of guaranteed loans in determining the students' needs for other Federal aid but that in 77 cases they had not. Our analysis of the remaining 77 cases showed that, because guaranteed loans had not been considered, students in 57 cases (14 percent of the 400 cases in our sample) had not been awarded aid totaling about $51,800 in excess of the amounts the financial aid officers had determined were needed to meet the students' educational expenses.

For example, a student obtained $3,335 for a school year to meet a financial need of $2,335. In early September of the school year, the financial aid officer determined that the student needed $2,335 to meet his educational expenses for the year. He authorized assistance in that amount consisting of a $1,000 loan under the National Defense Student Loan program, $600 under the College Work-Study program,

---

[1] When we selected our sample, there were about 6,500 students with guaranteed loans attending the eight institutions. By the close of the 1970-71 academic year, the number of loan recipients attending these institutions had increased to about 14,500.

and $735 in institutional grants. The loan and the institutional grants were disbursed to the student in three installments during the fall, winter, and spring quarters. The student earned the College Work-Study aid over a 9-month period.

During the fall quarter, the student also obtained a $1,000 guaranteed loan. Although the financial aid officer had certified the student's application for this loan about a month before the school year started, he had not considered the amount of the loan in evaluating the student's need for Federal aid. The student therefore received $1,000 in excess of the amount of aid that the financial aid officer had determined that he needed for the school year.

We estimated that, of the 6,500 students who had obtained guaranteed loans while attending the eight educational institutions, approximately 900 students, or 14 percent, had been provided with financial assistance totaling at least $761,000 excess of their needs.

OE officials and school financial aid officers told us that students sometimes obtained guaranteed loans as a substitute for financial assistance that was expected from their parents but that was not provided.

The financial aid records for the 57 students in our sample who had received excess aid showed that many students were expected to use their own savings and/or contributions from their parents to help meet part of their educational expenses. The records did not indicate, however, whether the amounts that the financial aid officers had determined should be available from these resources had actually been provided. If we had assumed that none of the expected savings and parental contributions had actually been provided to or used by these students to help defray the costs of their education, our estimate of the total excess aid provided to the 900 students would have been reduced to about $219,000.

The school records showed that some students had applied for guaranteed loans before they had been authorized aid packages to meet their financial needs and that other students had applied for guaranteed loans after they had been

authorized aid packages. We believe that, if a financial aid officer, in developing an aid package, has knowledge that the student applied for or received a guaranteed loan, he should consider the amount of the loan in determining the amount of Federal aid to be provided under OE programs which require a showing of need. When the financial aid officer learns that a student received a guaranteed loan after an aid package had been authorized, he should reduce the unpaid portion of the student's authorized Federal aid to the extent that the total aid for that year would exceed his financial need.

The financial aid office at one of the institutions that we visited had been considering guaranteed loans in determining the amounts of Federal aid to award students under the OE programs which require a showing of financial need. None of the students in our sample at this institution had received aid in excess of their indicated needs. The financial aid officer told us that, when students applied for guaranteed loans after they had been authorized sufficient Federal aid to meet their educational needs, they were told that part of their Federal aid would be withheld if they should obtain the guaranteed loans. After the completion of our fieldwork, this institution discontinued coordinating Federal aid with guaranteed loans because the financial aid office was not adequately staffed to handle the increased workload caused by students applying for financial assistance.

OTHER SOURCES OF FINANCIAL AID NOT COORDINATED

Various offices and academic departments at the educational institutions we visited administered Federal, State, and private programs which provided financial assistance to students. Some of the offices and departments, however, did not provide the financial aid office with information on all students who were receiving such assistance so that it could be considered in evaluating students' needs for Federal assistance under the National Defense Student Loan, College Work-Study, and Educational Opportunity Grant programs.

Offices and departments at five schools did not provide the financial aid office with information concerning students who were employed in campus jobs but who were not assisted under the College Work-Study program. As a result, some students had campus jobs that the financial aid offices did not consider in evaluating their needs for Federal assistance. The financial aid records of about 90 students at one school showed that nine students had received Federal loans that exceeded their financial needs by $6,200 because their campus jobs had not been considered in awarding them aid under the National Defense Student Loan program.

At six schools the registrar's office was responsible for certifying the enrollment status of students who applied for monthly social security and veterans benefits. At four schools the registrar's office did not provide the financial aid office with information on these students.

Several academic departments at one school administered fellowship and traineeship programs that provided grants to students in specialized fields of study. The academic departments selected the students who were to receive this assistance, and a private nonprofit corporation at the school disbursed and accounted for the funds. The financial aid office was not provided with information on the students who participated in these programs.

We obtained a list of 16 students who had obtained fellowship or traineeship grants during an academic year and who had also applied for Federal assistance from the

school's financial aid office. Of these students, eight were awarded aid through the financial aid office and eight were not. One graduate student was given a $2,900 loan under the National Defense Student Loan program to meet his educational expenses for the 9-month academic year and a summer session. However, this loan was in excess of his financial need because the financial aid office had not been informed that the psychology department had awarded the student a $2,955 fellowship.

Financial aid officers told us that, before they authorized an aid package to meet a student's needs, they generally asked the student if he had been granted aid under the programs administered by other offices and academic departments. They stated that they had to rely on the student to disclose such information in those cases in which it was not provided by the other academic departments and offices.

IMPROVED COORDINATION WOULD HELP ALLEVIATE SHORTAGE OF FEDERAL AID FUNDS

During the 3-year period ended June 1971, the eight schools did not receive the full amount of Federal aid that they had requested from OE for the National Defense Student Loan, College Work-Study, and Educational Opportunity Grant programs, as shown below.

Academic year	Federal aid requested	Federal aid provided
1968-69	$16,108,400	$11,842,800
1969-70	18,639,300	13,447,600
1970-71	19,621,600	14,419,700
Total	$54,369,300	$39,710,100

Some of the educational institutions have been unable to provide sufficient Federal funds to meet the total financial needs of all the students who applied and qualified for financial aid.

For example, during the 1969-70 academic year, one school provided 100 percent of the Federal aid needed by students who had exceptional needs and thus qualified for

assistance under the Educational Opportunity Grant program. Students who did not have exceptional needs but who still qualified for financial assistance under the National Defense Student Loan and College Work-Study programs were given 80 percent of the aid needed for educational expenses, and students who applied late for financial assistance were given no more than 35 percent of the amounts needed. During the 1969-70 academic year, another school reduced the amounts of the loans it provided under the National Defense Student Loan program to approximately 50 to 60 percent of the amounts that the students needed.

Financial aid officers told us that they expect to encounter greater problems in meeting the financial needs of their students as enrollments and tuition costs continue to increase. According to OE 1970 projections, the number of students seeking a college education is expected to increase over the next few years by more than 20 percent and tuition and other educational expenses are expected to increase significantly.

In view of the limited amount of Federal funds available for educating college students, we believe that OE should make every effort to assure itself that such funds are used to assist the maximum number of needy students. This goal can be better achieved if guaranteed loans and other sources of financial aid are considered in determining the types and amounts of financial assistance to be provided to students under OE programs which require the students to show financial need.

STUDENTS MAY BORROW MORE THAN THEY CAN REPAY

Of the 400 students included in our sample, 52, or 13 percent, obtained loans under the Guaranteed Student Loan program and the National Defense Student Loan program for the same academic periods. By following such a practice, students can incur large financial liabilities which are difficult to repay and which can add to the existing nationwide problem of defaulted student loans. The cumulative borrowings of the 52 students averaged about $3,400 a student and covered an average period of 2 years. One student received $8,700 over a 3-year period. By using both loan programs, some students borrowed more in a school year than the maximum amount allowable for borrowing under either program.

The College Entrance Examination Board issued a report to OE in June 1968 on the results of a study it had made of the operations of federally assisted student loan programs. The report commented on the problem of students' obtaining loans under more than one federally assisted program, as follows:

> "Not only has the problem of providing financial advice to students been made more difficult, but the matter of monitoring the amounts students borrow has been compounded. Under existing procedures a student may borrow federally subsidized loan funds from his college or university or a private lending institution. Not only is such a situation potentially wasteful of available funds, but it may well tempt students into assuming too large an indebtedness."

The latest OE data on loans made to students under the National Defense Student Loan program, which has been in operation since 1959, showed that, of the aggregate outstanding loan balance of approximately $1.3 billion as of June 30, 1969, about $22.2 million was delinquent from 4 months to more than 5 years.

OE data on the Guaranteed Student Loan program, which has been in operation since 1966, showed that approximately 3.7 million loans had been made to students as of June 30, 1971. This program has not been in operation long enough

for OE to accumulate sufficient data on loan defaults under the program. However, OE data showed that as of June 30, 1971, the Government had paid claims totaling $17.6 million for loans on which students had defaulted; 17 percent of the defaults occurred in fiscal year 1970, and 82 percent occurred in fiscal year 1971.

We believe that the problem of collecting student loans will become more serious as the number of guaranteed loans increases and as students who obtained loans in their early college careers graduate and become responsible for repaying such loans.

CONCLUSIONS

The financial aid offices at seven of the educational institutions covered in our review generally awarded aid to students without considering whether the students had requested or obtained loans under the Guaranteed Student Loan program. Also, financial aid offices were not provided with information on students who were receiving assistance from Federal, State, and private programs administered by some of the other offices and academic departments at the institutions. As a result, some students were provided with more aid than they needed to meet their educational expenses.

To the extent that students received Federal aid excess to their needs, Federal funds were not available to other students who qualified. Although our review covered only eight institutions, seven of which had coordination problems, it is likely that other institutions of higher education throughout the Nation have similar problems.

By borrowing under both the Guaranteed Student Loan program and the National Defense Student Loan program, some students incurred large liabilities which they may find difficult to repay and which could add to the existing problem that lending institutions and the Government are experiencing in collecting defaulted student loans. Statutory limitations currently exist for loans under each program. It may be desirable to establish an overall limitation on the amount that a student may borrow when participating in more than one loan program.

RECOMMENDATIONS TO THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

We recommend that the Secretary of HEW direct OE to:

--Require institutions of higher education to establish procedures for coordinating assistance provided under Federal student aid programs which require a showing of financial need with any assistance provided under the Guaranteed Student Loan program and other school-administered aid programs.

--Monitor implementation of the procedures to preclude awarding assistance in excess of students' financial needs.

AGENCY COMMENTS

In commenting on a draft of this report by letter dated April 24, 1972 (see app. I), HEW concurred in the intent of our recommendations and stated that no student should receive aid in excess of that required to meet his educational expenses. HEW plans to contact all institutions of higher education to reaffirm OE regulations concerning this matter and to insist that they be complied with.

However, HEW pointed out that it would make a study to determine the magnitude of the coordination problem nationwide before issuing instructions that would require institutions of higher education to establish procedures for coordinating guaranteed loans and other school-administered aid. The study would be conducted by requiring institutions to provide data on total student aid awards. If its study showed that additional controls were needed to preclude awarding aid in excess of students' financial needs, HEW stated, it would expand its efforts of monitoring federally assisted student aid programs in institutions of higher education.

We intend to stay abreast of the progress of HEW's study and to determine, on the basis of the study results, whether appropriate action was taken. However, we believe that the data that HEW plans to obtain may not be adequate for determining the extent of the coordination problem.

Unless the data shows students' total resources (total student aid awards, parental contributions, and student incomes or savings) that are to be applied toward the costs of their education, the study results will not provide an adequate basis for determining whether students are obtaining aid in excess of their educational expenses. We believe that, if institutions of higher education were required to coordinate student aid programs, the financial aid officers would be in a better position to consider changes in financial needs and advise students accordingly.

MATTER FOR CONSIDERATION BY THE CONGRESS

The Congress should consider establishing an overall limitation on the amount that a student may borrow when participating in more than one loan program.

CHAPTER 3

SCOPE OF REVIEW

Our review was made at OE headquarters in Washington, D.C., and at eight institutions of higher education. Four institutions were in California, and four were in Louisiana. We selected a mixture of high-, medium-, and low-cost institutions--three were State-supported universities, two were privately supported universities, and three were State-supported colleges.

We examined the applicable legislation; Federal regulations; and OE program policies, directives, guidelines, reports, and other documents relating to the administration of the National Defense Student Loan, College Work-Study, Educational Opportunity Grant, and Guaranteed Student Loan programs. We also interviewed HEW officials and the officials responsible for administering student financial aid programs at the selected institutions.

Our review was directed primarily toward examining the policies and procedures followed in awarding aid to a random sample of 400 students who had received loans under the Guaranteed Student Loan program while attending the eight institutions.

APPENDIX I

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

APR 24 1972

Mr. Henry Eschwege
Director, Resources and Economic
Development Division
U.S. General Accounting Office
Washington, D. C.

Dear Mr. Eschwege:

The Secretary has asked that I reply to your letter dated February 10, pertaining to the General Accounting Office draft report to the Congress entitled, "Need for Improved Coordination of Federally Assisted Student Aid Programs in Institutions of Higher Education." The enclosed comments set forth the actions planned on the matters discussed in the report and are the product of review by cognizant Departmental and Office of Education staff, as well as the staffs of the universities and colleges visited.

Sincerely yours,

James B. Cardwell
Assistant Secretary, Comptroller

Enclosure

APPENDIX I

Department of Health, Education, and Welfare Comments Pertinent to the Draft Report to the Congress of the United States by the Comptroller General of the United States on the Need for Improved Coordination of Federally Assisted Student Aid Programs in Institutions of Higher Education, B-164031(1)

GAO RECOMMENDATION

The Office of Education should require institutions of higher education to establish procedures for coordinating assistance provided under Federal student aid programs which require a showing of financial need with any assistance provided under the Guaranteed Student Loan Program and other school administered aid programs.

DEPARTMENT COMMENTS

We concur with the intent of the GAO recommendation that assistance provided under Federal student aid programs requiring a showing of financial need, should take into consideration any assistance provided under the Guaranteed Student Loan Program and other school administered aid programs. No student should receive aid in excess of that required to meet his or her educational expenses. We will contact all institutions of higher education to reaffirm Office of Education regulations in this connection and insist that they be complied with. Before issuing the specific requirements called for by the GAO recommendation, however, we plan to first determine the magnitude of this problem nationwide. The Office of Education will include in the Annual Fiscal Operations Report (submitted by institutions of higher education) a reporting requirement concerning total student aid awards. When this data is received and analyzed, we will then be in a position to determine whether the formal procedures recommended by GAO are needed.

GAO RECOMMENDATION

The Office of Education should monitor the implementation of the procedures established for coordinating student aid programs to preclude awarding assistance in excess of student financial needs.

DEPARTMENT COMMENTS

The current ongoing program of monitoring Federally assisted student aid programs in institutions of higher education being carried out by Washington and regional office personnel of the Office of Education - and the HEW Audit Agency - will be expanded as recommended, if the aforementioned study shows that such additional controls are needed.

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF HEALTH, EDUCATION, AND WELFARE:		
Elliot L. Richardson	June 1970	Present
Robert H. Finch	Jan. 1969	June 1970
Wilbur J. Cohen	Mar. 1968	Jan. 1969
John W. Gardner	Aug. 1965	Mar. 1968
COMMISSIONER OF EDUCATION:		
Sidney P. Marland, Jr.	Dec. 1970	Present
Terrel H. Bell (acting)	June 1970	Dec. 1970
James E. Allen, Jr.	May 1969	June 1970
Peter P. Muirhead (acting)	Jan. 1969	May 1969
Harold Howe, II	Jan. 1966	Dec. 1968

U.S. GAO, Wash., D.C.

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

Copies are provided without charge to Members of Congress, congressional committee staff members, Government officials, members of the press, college libraries, faculty members and students. The price to the general public is $1.00 a copy. Orders should be accompanied by cash or check.

FILMED FROM BEST AVAILABLE COPY